



## Micro Level Analysis of Health and Educational Expenditure and Economic Development

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### Abstract

The issue of economic development and human development is gaining momentum around the world. The human development and economic development are directly related. Current literature on human development is mostly dependent on the secondary data. Present study is an attempt to understand the issue of human development and economic development with the help of micro level analysis. Present study is based on primary survey conducted across four districts of Gujarat viz. Ahmedabad, Gandhinagar, Valsad and Rajkot. Selected districts are divided into highly developed and less developed. Comparative picture of districts has been undertaken in terms of consumer expenditure towards health and education, while economic development, at micro level is measured in terms of annual family income. The results of the study show that there is a positive and significant relationship between economic development of the district and annual family income. The results also show that, when it comes to consumer expenditure on health and education, the evidences reject the association between development and expenditure towards education, but do not reject the relationship between economic development and health expenditure.

**Keywords:** Health, Education, Human Development, Economic Development

### Introduction:

The concept of human development is most widely discussed in academic literature, political arena as well as policy discussion. At the same time the concept of human development is most misunderstood in terms of what constitute human development and parameters defining human development. The concept of human development was introduced in the early 1990s sought to shift focus from national income as an indicator of development to expanding choices available to people. The developmental economists have realized the fact that Gross National Product (GNP) and other measures of economic performance could show improvement together with the rise of undesirable social trends which is neither desirable nor sustainable in the long run. Social scientists have been making extensive attempts in devising more

welfare sensitive measurement of development which incorporates other measures of social development along with economic development. Finally the Human Development Index (HDI) emerged as one of the most widely accepted and used indicator of development. One common thing in all the indications of development is that all these multi-variable indices of development try to combine a number of indicators, generally proxies for various aspects of economic and social life, into one index of development. Most available literature discuss the either concept of economic development or human development independently. There are few studies focusing on the association between economic development and human development. The relationship between economic development and human development, to some extent, has been analyzed only with the help of secondary data at macro level. There are only few studies available to analyze the relationship between economic development and human development at micro level. Present study is an attempt to analyze the relationship between economic development and human development at micro level with the help of primary data.

### **Objective**

The primary objective of the study is to analyze the relationship between economic development and human development at micro level. Following specific objectives were laid down for the study;

- To study the relationship between health expenditure and economic development.
- To study the relationship between educational expenditure and economic development.
- To study the relationship between social and religious expenditure and economic development.

### **Review of Literature**

Meier, G. M. (1970) authored a book titled “Leading Issues in Economic Development” which covers the main issues in economic development with the help of articles by leading scholars published in professional journals. These articles are edited to provide greater accessibility to an undergraduate audience and organized thematically using overview essays along with explanatory notes and comments. This distinctive approach allows for a variety of perspectives while keeping the most important overall themes in sight. Dreze J & Sen A (1999) in their book presents analysis of endemic deprivation in India and the role of public action in addressing the problem. The analysis is based on a broad view of economic development, focusing on human well-being and 'social opportunity' rather than the standard indicators of economic growth. India's success in reducing deprivation since Independence has been limited. Ranis, G (2004) stated that recent literature has contrasted human development as ultimate goal of the development process, with economic growth,

described as an imperfect proxy for more general welfare, or as a means toward enhanced human development. This debate between economic growth and economic development has broadened the definitions and goals of development but still needs to define the important interrelations between human development (HD) and economic growth (EG). To the extent that greater freedom and capabilities improve economic performance, human development will have an important effect on growth. Similarly, to the extent that increased incomes will increase the range of choices and capabilities enjoyed by households and governments, economic growth will enhance human development. This paper analyzes these relationships and the two-way linkages involved. Banerjee A (2015) in the research paper emphasized that focus of research has shifted from providing more priority to the ends of development rather than means. It emphasized that the neoclassical indicators of economic progress like Gross National Product and Gross Domestic Product failed to reflect the well-being and freedom actually enjoyed by population. The concept of human development defines peoples' well being as the end of development and economic growth as a means. Enlarging human capabilities became one of the primary objectives of most of the developing country since early 1990s. Several government programmes were launched in India for enhancing the level of human development across states especially during the decade of 2000. Banerjee & Kuri (2015) stated that regional economic disparities have recently gained renewed interest in intellectual and political field. Accelerated global economic integration and market controlled institutional transformation may be expected to intensify regional disparities. So, regional disparity has become a hotly debated topic during the past two or three decades. As the developed nations like the USA, Japan, EU are not free from facing uneven distribution, the countries like India, China, Pakistan are facing the fear of alarming level of regional disparity. Hirway I (2000) in her article titled "Dynamics of Development in Gujarat: Some Issues" stated that Gujarat has a relatively high per capita income, a diversified economy and workforce and developed financial and capital markets. On the other hand, the state lags behind in terms of the quality of employment and several dimensions of human development. Paper seeks to delineate the profile of Gujarat's development with a view to understanding the mixed results and inferring the likely directions of future development. Saksena S & Deb M (2016) in their research paper made an attempt to examine the relative performance of 28 major Indian states over the two decades (1990-2010) on economic growth and human development indicators by empirically confirming the two-way nexus between economic growth (EG) and human development (HD) and identifying other important links in the relationship from cross-sectional growth regressions. The paper finds a strong and consistent convergence in indicators of human development across states even as incomes have diverged over the two decades. Further, the classification of the states into vicious, virtuous, HD-lopsided and EG-lopsided categories and the shifts across categories of different states over the two decades reveal the importance of the requirement of simultaneous thrust on EG and HD in order to escape the vicious cycle.

**Research methodology**

For conducting micro level analysis, primary data are collected from four districts viz. Ahmedabad, Gandhinagar, Valsad and Rajkot. The selection of district has been made based on the relative economic development, two highly developed districts and two not so developed districts. Primary data are collected for the sample of 300 households, 75 from each district. While selecting the sample, main focus was on poor families living in rural are urban areas. From each districts 25 urban families and 50 rural families are selected for the purpose of study. Structured questionnaire was prepared based on the review of literature and discussion with experts. Before finalization of the questionnaire, pilot testing has been conducted with the sample of 50 respondents. Based on the experience and results of pilot testing, appropriate changes were made in the questionnaire.

**Data Analysis**

For the purpose of analysis districts were categorized into developed and underdeveloped, based on their relative economic status. s

Annual Income and Development					
	Development Level	N	Mean	Std. Deviation	Std. Error Mean
	Developed Districts	150	116760.00	33554.859	2739.743
	Underdeveloped Districts	150	60720.00	34123.910	2786.206

The data about annual income of the families from developed and underdeveloped districts of Gujarat as presented above shows that family from developed districts have average annual income of Rs 116760 as compared to annual income of Rs 60720 for households from underdeveloped districts. Thus developed districts have higher annual average income as compared to underdeveloped districts. In order to check the significant difference in the annual income of families from developed and underdeveloped districts, following hypothesis has been established;

**H0:** There is no significant difference in the annual income of families from developed and underdeveloped districts

**H1:** There is significant difference in the annual income of families from developed and underdeveloped districts

In order to test the hypothesis independent sample t-test has been conducted and the results of the test are presented below;

Independent Samples Test						
Annual Income	Levene's Test for Equality of Variances		t-test for Equality of Means			
	F	Sig.	t	df	Sig. (2-	Mean

						tailed)	Difference
Equal variances assumed	5.979	0.015	14.341	298	.000		56040
Equal variances not assumed			14.341	297.92	.000		56040

It is evident from the results of the independent sample t-test as presented above that there is significant difference in the income level of households from developed and under developed districts (t 14.341, df 298, p < 0.05). Thus we conclude that null hypothesis is rejected.

Similar analysis has been performed in order to test the relationship between development and expenditure towards health and education. Following hypothesis is established for the purposes.

**H0:** There is no significant difference in the health and educational expenditure of families from developed and underdeveloped districts

**H1:** There is no significant difference in the health and educational expenditure of families from developed and underdeveloped districts

The results of independent sample t-test are presented below;

Group Statistics							
	Development Level	N	Mean	Std. Deviation	Std. Error Mean		
Health	Developed	150	572.73	733.768	59.912		
	Underdeveloped	148	299.53	257.749	21.187		
Education	Developed	150	182.27	214.425	17.508		
	Underdeveloped	138	210.83	100.822	8.583		
Independent Samples Test							
		Levene's Test for Equality of Variances		t-test for Equality of Means			
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
Health	Equal variances assumed	10.277	0.001	4.277	296	0	273.206
	Equal variances not assumed			4.299	185.654	0	273.206

Education	Equal variances assumed	28.021	0	-1.427	286	0.155	-28.567
	Equal variances not assumed			-1.465	215.672	0.144	-28.567

The data shows that households from developed districts are spending on an average Rs 572.73 for health as compared to Rs 299.53 by households from underdeveloped districts. Thus households from developed districts are spending higher amount for health as compared to under developed districts. With regards to household expenditure on education, data shows that households from developed districts are spending on an average Rs 182.27 as compared to Rs 210.83 by households from underdeveloped districts. Thus households from under developed districts are spending more towards education as compared to those from developed districts. The results of independent sample t-test as presented above shows that there is no significant difference in the expenditure towards education between developed and underdeveloped districts ( $p > 0.05$ ) where as there is significant difference in expenditure towards health expenditure between developed and underdeveloped districts ( $p < 0.05$ ).

### Findings and Conclusion

The economic development of the districts has positive impact on the income level of the families living in the districts. Annul family income of households form developed districts is significantly higher than their counterparts in underdeveloped districts. Economic development has significant association with health expenditure. The health expenditure of households from developed districts is significantly higher than that of underdeveloped districts. But the development of the districts does not have significant impact on the educational expenditure.

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